

Banking Watch

US

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Economic Analysis

US
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Bank Credit and Deposits: Monthly Situation Report

- Total credit hangs on the border of positive YoY growth following nearly two years of negative trends. C&I has approached its peak in YoY growth, while consumer credit has finally crossed into positive territory. CRE and residential loans still months away from positive growth.
- Demand deposits continue to grow near 50% on a YoY basis, offsetting weakness stemming from small time and foreign large time deposits. Savings and checking deposits are also growing at positive YoY rates and are likely to remain that way for the medium term.

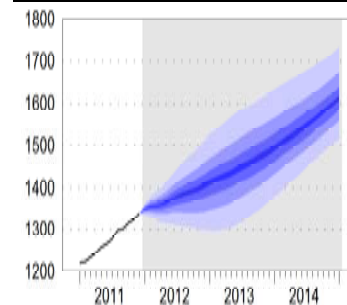
Commercial and Industrial (C&I)

C&I loans have been growing at a faster rate than the equilibrium level predicted by our models. However, the rate of change appears to be slowing as YoY growth approaches its peak, a trend that we expected given the current state of the recovery. Despite improvements in economic activity, businesses continue to report conservative hiring and capital expansion plans, curbing any immediate needs for C&I loans. In some cases where demand is high, particularly among small businesses, tight credit conditions will likely contribute to limited C&I loan growth.

Commercial Real Estate (CRE)

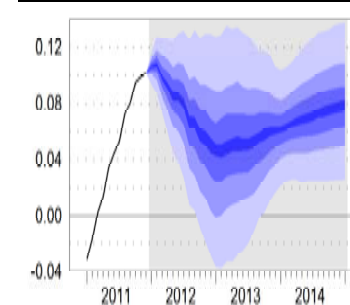
YoY declines in CRE loan growth are shrinking in line with our projected trends for 2012. Levels have been declining since the recession and appear to have almost hit rock bottom as we foresee a gradual turnaround in the CRE environment. Although distressed properties continue to weigh on the market, investment opportunities are mounting. Given these trends, we continue to expect a return to positive YoY growth by 3Q12.

Chart 1
Commercial & Industrial, \$bn



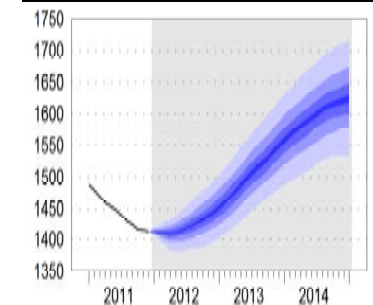
Source: BBVA Research

Chart 2
Commercial & Industrial, YoY%



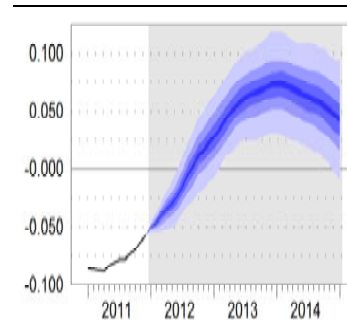
Source: BBVA Research

Chart 3
Commercial Real Estate, \$bn



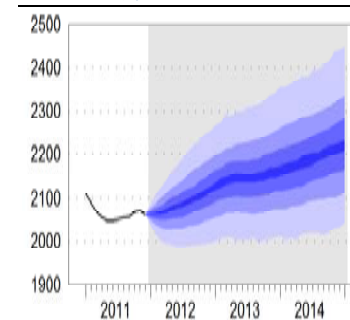
Source: BBVA Research

Chart 4
Commercial Real Estate, YoY%



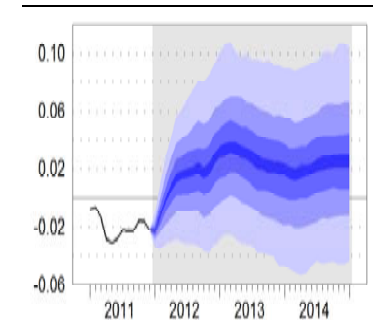
Source: BBVA Research

Chart 5
Residential, \$bn



Source: BBVA Research

Chart 6
Residential, YoY%

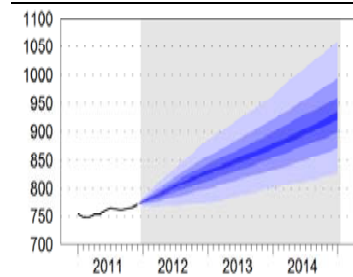


Source: BBVA Research

Residential

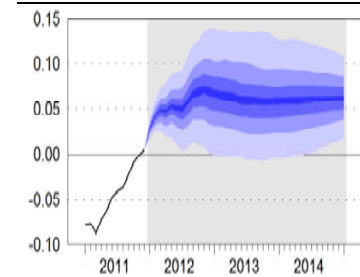
Residential activity has shown significant improvements in recent months, yet data remain well below pre-recession levels. While affordable prices and low mortgage rates have made residential investment more attractive, the threat of further delinquencies has limited bank lending. Another round of Fed interventions in the mortgage market could accelerate residential lending, yet our forecasts suggest negative YoY growth trends at least until mid-2012.

Chart 7
Consumer Lending, \$bn, break-adjusted



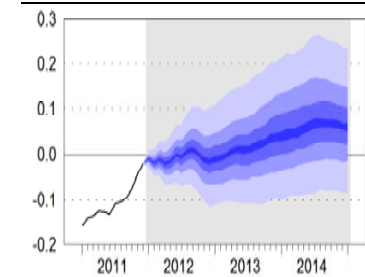
Source: BBVA Research

Chart 8
Consumer Lending, YoY%, break-adj.



Source: BBVA Research

Chart 9
Domestic Large Time Deposits, YoY%

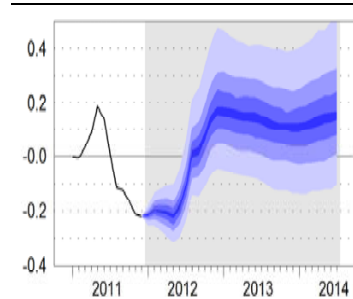


Source: BBVA Research

Consumer Credit

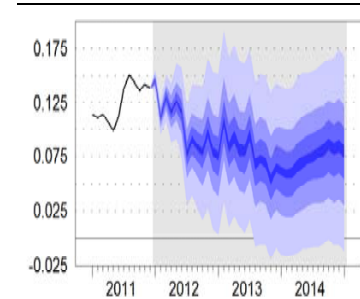
Consumer credit has finally broken through into positive YoY growth territory for the first time since 4Q09. In general, we expect YoY rates to accelerate through 2012 as consumers loosen their spending habits. However, much of this is contingent upon whether recent improvements in employment and other consumer-related data are indicative of more permanent strength in the economy.

Chart 10
Foreign Large Time Deposits, YoY%



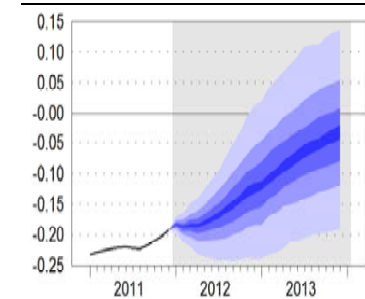
Source: BBVA Research

Chart 11
Savings Deposits, YoY%



Source: BBVA Research

Chart 12
Small Time Deposits, YoY%

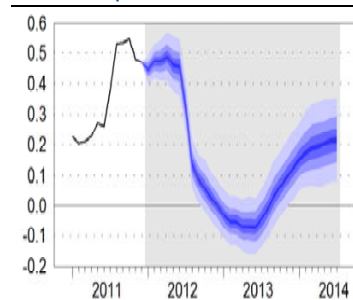


Source: BBVA Research

Deposits

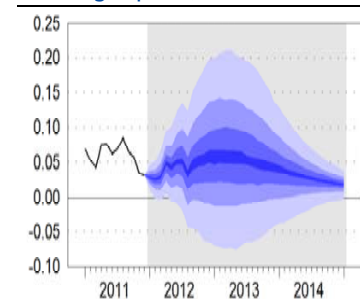
On a YoY basis, growth of total deposits has been relatively stable near 6.5% throughout the past few months. Demand deposits are still the main driver, though we expect figures to level off by mid-2012. Savings deposits, which historically have grown in line with population, continue to accelerate as financial uncertainties loom. Small and large time deposits are following expected trends but are far from approaching positive YoY growth.

Chart 13
Demand Deposits, YoY%



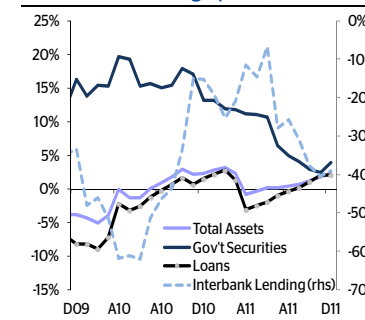
Source: BBVA Research

Chart 14
Checking Deposits, YoY%



Source: BBVA Research

Chart 15
Commercial Banking System, YoY%



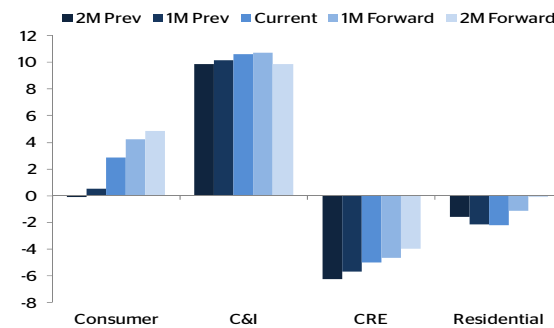
Source: Federal Reserve

Table 1
Banking System Update

	Consumer	C&I	CRE	Residential	Small Time / Savings	Large Time	Transactions
Deviation	0.4	0.2	-0.4	0.6	-0.9	-0.2	-2.7
2M Prev	-0.8	9.5	-7.0	-1.5	8.9	-12.6	32.7
1M Prev	-0.1	9.9	-6.3	-1.6	9.6	-14.0	28.4
Actual	0.5	10.2	-5.7	-1.6	9.6	-13.6	27.9
Predicted	0.1	10.0	-5.3	-2.2	10.4	-13.4	30.6
Next Month	2.9	10.6	-5.0	-2.2	10.4	-13.0	26.7
2M Forward	4.2	10.7	-4.6	-1.1	7.4	-12.2	28.1
3M Forward	4.9	9.9	-4.0	-0.1	9.2	-12.1	28.3

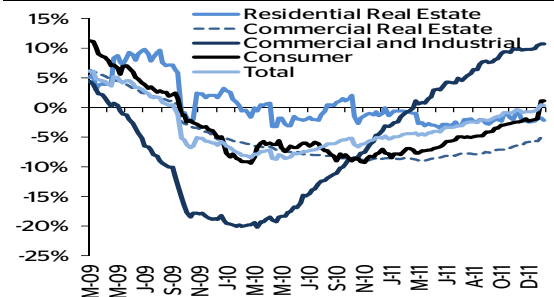
Source: BBVA Research

Chart 16
Credit Growth Snapshot, YoY%



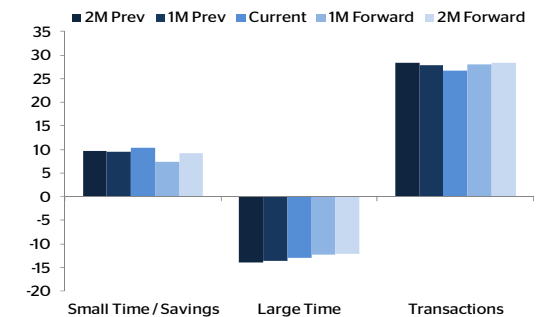
Source: BBVA Research

Chart 18
Commercial Bank Loans, YoY%



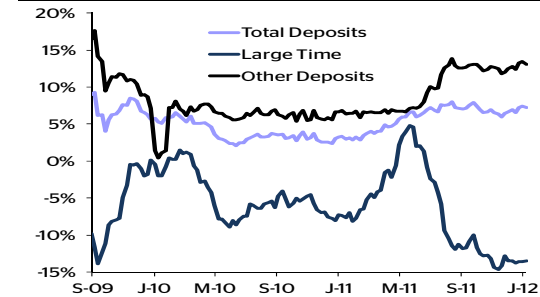
Source: Federal Reserve; Note: Consumer break-adjusted for FASB

Chart 17
Deposit Growth Snapshot, YoY%



Source: BBVA Research

Chart 19
Commercial Bank Deposits, YoY%



Source: Federal Reserve